

# Australian Sugar Industry

## Australian Sugar: the facts

### *Australian sugar trade*

- **Asia-Pacific markets account for 85 per cent of Australian raw sugar exports.** These long standing, reliable markets with good quality counterparts form the cornerstone of Australian sugar exports. These markets and distribution networks will not be abandoned. Maintaining a diversified mix of markets is important to optimising returns. With more open access, rather than flooding the US market, Australia will seek to enhance supply relationships with US refiners that are presently bound by quota restrictions.
- Australia has expanded the breadth of its export markets as access to the US market has declined in recent years
  - **Australian access to the US market has fallen by 60 per cent since 1996**
  - US imports were reduced to the WTO minimum to support high domestic sugar prices in the face of strong, policy induced, US production increases.

### **Key Australian sugar production and export statistics**

| Calendar<br>Year | Production | Exports                |                      |
|------------------|------------|------------------------|----------------------|
|                  |            | Total<br><i>tonnes</i> | USA<br><i>Tonnes</i> |
| 1995             | 5,118,911  | 4,594,170              | 143,424              |
| 1996             | 5,617,695  | 4,288,207              | 233,730              |
| 1997             | 5,882,536  | 4,462,364              | 148,796              |
| 1998             | 5,084,841  | 4,691,495              | 125,296              |
| 1999             | 5,513,649  | 4,185,342              | 79,918               |
| 2000             | 4,416,870  | 3,867,003              | 88,420               |
| 2001             | 4,768,350  | 3,545,484              | 88,549               |

*Source:* International Sugar Organization

- The **applied tariff on sugar imports to Australia, raw or white, is zero.** There are no quarantine restrictions or indirect barriers restricting access to the Australian sugar market
  - access to the US sugar market is restricted by quota, the **applied out-quota sugar tariff is US\$15.3c/lb**
  - **Australia's WTO bound tariff** is A\$70 per tonne, **equivalent to US\$1.84c/lb** at current exchange rates

### *Government Assistance*

- In September 2000 to assist the sugar industry through difficulties caused by a series of natural disasters, including a serious outbreak of orange rust, rat plagues, adverse seasonal occurrences (cyclones and flooding) and low sugar content the Australian federal government provided a package of assistance measures, delivered over two years, up to a total A\$83 million (US\$40 million at exchange rates of the day) to provide household income support equivalent to unemployment benefits and interest rate assistance to enable replanting
  - two-thirds of the package was taken up.
- In October 2002 a reform federal/state sugar industry package totalling A\$150 million (US\$87 million at present exchange rates) delivered over four years was announced. The package includes
  - emergency income support (equivalent to unemployment benefits) for a further 12 months and funding for business planning
  - one-off assistance for those farmers wishing to exit the industry
  - interest rate relief for replanting and farm consolidation
  - funding for regional initiatives to support industry change and adjustment and training for capacity building.
- **US sugar producers receive 60 times the level of support offered to Australian sugar industry (USDA 1998 notifications to the WTO).**

### *Single desk*

- Queensland Sugar's activities are open and transparent, they **do not enable cross-subsidisation**
  - as is normal commercial practice, individual transaction information is held in confidence between buyers and sellers
  - producer returns are enhanced through careful commercial operations and effective risk management activities
  - these activities are commercial best practice. They are **not in contravention of the WTO's trade rules**
  - Queensland Sugar **competes in all market places to secure sugar sales** (with the exception of the US market, which is governed by an import quota)
  - Queensland Sugar's **financial position is fully disclosed** in its annual report.

- Queensland Sugar **does NOT receive government subsidies** to enable it to trade unfairly
  - Queensland Sugar is a privately owned marketing company. **It receives no financial support or guarantee from the Australian government;** Queensland raw sugar producers fund it in total.
  - Its **structure is more akin to that of the US farmer owned co-operatives** than it is to that of a government owned, bureaucratically run state trading enterprise envisaged in the GATT.